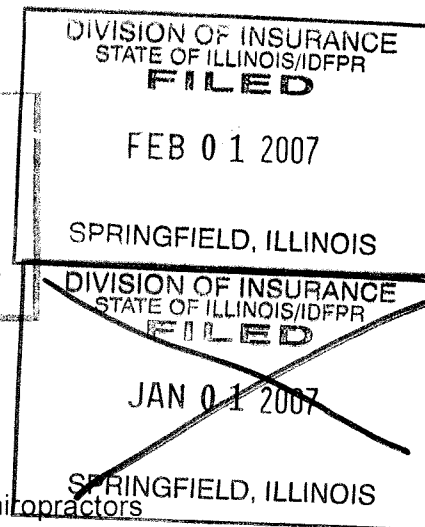
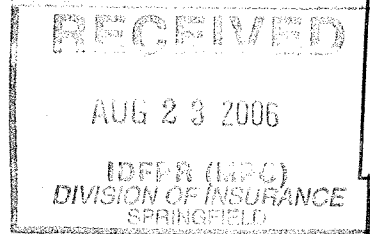




August 22, 2006

Ms. Gayle Neuman
Illinois Department of Insurance
320 West Washington Street
Springfield, Illinois 62767



RE: PACO Assurance Company, Inc.
NAIC Group# 3504 - NAIC Company# 10222 - FEIN# 36-3998471
Line 11.0003 Medical Malpractice Claims Made and Occurrence/Chiropractors
OUM Chiropractor Program
2007 Revised Rate Filing
Company Filing Number: IL-781-C
Proposed Effective Date: January 1, 2007

Dear Ms. Neuman:

We are submitting for your approval revisions to the currently approved rates for the above referenced program. The last revision of the rates currently approved for the program were approved under SERFF Tracking SERT-67WNVD939/00-00/00-01/00 approved on 2/23/2005 with an effective date of 6/1/2005 and State Tracking # PACOILCRA04010501.

With this filing, we are requesting a rate change of +6.0%. Our request is based upon the attached exhibits prepared by our Chief Actuary, John E. Daniel, FCAS, MAAA, whose Actuarial Memorandum is also enclosed to provide a more detailed explanation with respect to the materials being filed.

We have included any required transmittal forms or supporting documents as well as any applicable filing fee.

Please do not hesitate to contact me if you need any additional information. Your review and consideration is appreciated.

Sincerely,

Brenda G. Crawford

Brenda G. Crawford
Regulatory Affairs Coordinator
1-800-251-5727 Ext. 2150

Neuman, Gayle

From: Neuman, Gayle
Sent: Thursday, November 09, 2006 11:46 AM
To: 'Brenda Crawford'
Subject: RE: Request Change Effective Date - PACO Assurance Co. - Rate/Rule Filing IL-781-P

We will change the effective date to February 1, 2007.

From: Brenda Crawford [mailto:BCrawford@picagroup.com]
Sent: Thursday, November 09, 2006 11:44 AM
To: Neuman, Gayle
Subject: RE: Request Change Effective Date - PACO Assurance Co. - Rate/Rule Filing IL-781-P

Gayle,

Thanks for the reply. Yes, you are correct that the filing is IL-781-C...sorry for the incorrect filing number.

Brenda Crawford

Regulatory Affairs Coordinator

The PICA Group

110 Westwood Place

Brentwood, TN 37027

Phone: 615-371-8776 Ext. 2150

Fax: 615-370-4803

-----Original Message-----

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Thursday, November 09, 2006 10:28 AM
To: Brenda Crawford
Subject: RE: Request Change Effective Date - PACO Assurance Co. - Rate/Rule Filing IL-781-P

Brenda,

Just to clarify this – are you referring to filing #IL-781-C?

From: Brenda Crawford [mailto:BCrawford@picagroup.com]
Sent: Wednesday, November 08, 2006 12:33 PM
To: Neuman, Gayle

Subject: Request Change Effective Date - PACO Assurance Co. - Rate/Rule Filing IL-781-P
Importance: High

Gayle,

Thank you for your recent approval of the PACO Chiro Rate/Rule Filing IL-781-P. We would like to request a change of effective date from 1/1/2007 to 2/1/2007 to allow time to properly implement and give the required notice to policyholders.

Your approval and confirmation of this change would be appreciated.

Thank you,

Brenda Crawford
Regulatory Affairs Coordinator
The PICA Group
110 Westwood Place
Brentwood, TN 37027
Phone: 615-371-8776 Ext. 2150
Fax: 615-370-4803

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Neuman, Gayle

From: Brenda Crawford [BCrawford@picagroup.com]
Sent: Thursday, October 19, 2006 3:08 PM
To: Neuman, Gayle
Subject: RE: PACO Assurance Company - Rate/Rule Filing #IL-781-C
Importance: High

Gayle:

Thanks for your review and response. Under the corresponding PACO Chiro form filing (IL-599-C), item 9. on the Explanatory Memo states the following:

9. New Endorsement providing coverage for Chiropractic Externs (OUM-C-Ext Ed. 1-07)

This endorsement will provide coverage to chiropractic externs of the Named Insured. This endorsement will only be offered if your state's law allows chiropractic externs (those who have achieved their D.C. degree, but are not yet licensed) to practice under the direct supervision of a licensed chiropractor. There is no premium charge for the endorsement.

Hopefully, this will clarify more fully. If you have any other questions, please let me know.

Thanks,
Brenda Crawford
Regulatory Affairs Coordinator
The PICA Group
110 Westwood Place
Brentwood, TN 37027
Phone: 615-371-8776 Ext. 2150
Fax: 615-370-4803

-----Original Message-----

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Thursday, October 19, 2006 8:23 AM
To: Brenda Crawford
Subject: PACO Assurance Company - Rate/Rule Filing #IL-781-C

Ms. Crawford,

On page 5 of the manual, the term chiropractic "extern" is utilized. Can you please clarify this term?

Your prompt attention is appreciated.

Gayle Neuman
Property & Casualty Compliance, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

Neuman, Gayle

From: Brenda Crawford [BCrawford@picagroup.com]
Sent: Friday, October 06, 2006 1:23 PM
To: Neuman, Gayle
Subject: RE: PACO Assurance Co Inc. - Rate Filing #IL-781-C
Importance: High
Attachments: Explanatory Memorandum - PACO 2007 Rule Changes - Illinois - revised.pdf; Rating Manual Supplement - IL _PACO Chiro_ Ed 1-07 - revised.pdf

Gayle,

Thank you for your continued review and assistance with the PICA Group filings. Our response follows in corresponding order:

1. Under the Quarterly Installment Option, we have stated that no interest will be charged. In addition, we are now including all other payment plan options via the Illinois Supplement. We have revised our Explanatory Memo as well to reflect these changes. The revised Supplement and Explanatory Memo are attached.

2. The Claims Free Discount is determined as follows:

The discount amount is based on the time insured with PACO.

Insured with PACO claims free for 3 yrs. - 3% discount

Insured with PACO claims free for 4 yrs. - 4% discount

Insured with PACO claims free for 5 or more years - 5% discount

3. The revision to Rule G. 3. under Section I. General Rules which removed canceled for "underwriting reasons" and replaced

it with "non-payment of premium" was made at your Department's request under a previous filing. It was stated that

the statutory reasons for mid-term cancellation (after initial 60 days) did not include "underwriting reasons". We initially

made this revision under the Illinois Rating Manual Supplement Ed. 1-21-05. If there has been a statutory change, please let us know as our preference would be "underwriting reasons" as stated in the Manual.

We will revise the pending Annual Policy Verification (PG-DC-2010 Ed. 1-07) under SERFF Filing IL-599-C to include the appropriate Premium Payment Plan Options for Illinois and submit via SERFF.

Again, we appreciate your continued review and direction...hopefully, we're on the home stretch.

Thanks,

Brenda Crawford

Regulatory Affairs Coordinator

The PICA Group

110 Westwood Place

Brentwood, TN 37027

Phone: 615-371-8776 Ext. 2150

Fax: 615-370-4803

-----Original Message-----

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Wednesday, October 04, 2006 2:05 PM
To: Brenda Crawford
Subject: RE: PACO Assurance Co Inc. - Rate Filing #IL-781-C

Brenda,

Thank you for your response. We have a couple more issues to address regarding changes to the Rating Manual Supplement:

1. Rule H under Section I. General Rules (Premium Payment Plan/Quarterly Installment Option) additionally needs to indicate that no interest is being charged for such payment plan.
2. In Rule D. 9. under Section I. General Rules (Premium Discounts), please explain what qualifies one insured to get a 3% discount while another one gets a 5% discount for having a claim-free status.
3. With this filing, you submitted changes to Rule G. 3. under Section I. General Rules. However, the Supplement does not read the same as the Rating Manual (no cancellation for underwriting reasons). The Supplement pages would reverse the changes being proposed in the Rating Manual. Additionally, this paragraph should indicate that if the policy is cancelled for underwriting reasons that the insured will be given 60 days written notice.

We request receipt of your response by October 13, 2006. The electronic version of your response is satisfactory.

Gayle Neuman
Illinois Department of Financial & Professional Regulation
Division of Insurance

From: Brenda Crawford [mailto:BCrawford@picagroup.com]
Sent: Friday, September 22, 2006 4:53 PM
To: Neuman, Gayle
Subject: RE: PACO Assurance Co Inc. - Rate Filing #IL-781-C
Importance: High

Gayle,

I have attached a Cover Letter and Explanatory Memo which lists other attachments and discusses changes we have made. I think (hope) our premium payment plan is now in compliance (and we will submit the same for PICA Podiatry).

The new Review Requirements Checklist was very helpful and I have also attached a completed copy related to this filing. Based on the requirements, we did make some revisions to the ERP rules also. I also identified a necessary change to the pending PACO Chiro forms (see Explanatory Memo) and will send the revised forms via SERFF under the pending filing IL-599-C.

Please advise if we need to send a copy of all attachments via U. S. Mail or if the electronic version will suffice.

I appreciate your help and patience. Please let me know if you have any other questions.

Thanks,
Brenda Crawford
Regulatory Affairs Coordinator
The PICA Group
110 Westwood Place
Brentwood, TN 37027
Phone: 615-371-8776 Ext. 2150
Fax: 615-370-4803

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EXPLANATORY MEMORANDUM – ILLINOIS
PACO Assurance Company, Inc.
OUM Chiropractor Program
Medical Professionals Program, a Purchasing Group
Amendatory Rule Filing

With this filing we are submitting for your approval revisions to the rules used with and previously approved for the OUM Chiropractor Program. A detailed description of the revisions is given below. If your state requires prior approval of rules used with this line of business, we will await your approval prior to implementation, otherwise we will begin using the filing on policies effective on or after the effective date referenced in our filing letter which is also attached. The proposed effective date for these changes is January 1, 2007.

Current Rating Manual Edition: Ed. 6-05

Current Rating Manual Supplement: Ed. 1-21-05

Proposed Rating Manual Edition: Ed. 1-07

Proposed Rating Manual Supplement: Ed. 1-07

Revision to Rule I.D.7 Multiple Discounts

We would like to submit for your approval a revision to Rule I.D.7 of our Rating Manual. This rule addresses Multiple Discounts. We would like to add to this rule a provision stating that the total maximum available discount from the application of all premium discounts will be 75%.

Revisions to Rule I.G.3 Policy Cancellation via the Illinois Rating Manual Supplement

We would like to submit for your approval a revision to Rule I.G.3 of our Rating Manual. This rule addresses Policy Cancellation. We are requesting approval of a reinstatement fee in the amount of \$50. This fee will be charged in order to reinstate a policy canceled for nonpayment of premium if payment is received after the effective date of cancellation. Reinstatement will be contingent upon a satisfactory underwriting review.

Addition of Rule II.E. Chiropractic Externship Endorsement

This rule corresponds to our new Chiropractic Externship Endorsement Form which is pending approval under SERFF Filing #SERT-6R82W5953/00-00/00-00/00 and Company Filing #IL-599-P. This endorsement will be attached upon request by the insured at no additional premium. It provides coverage to chiropractic externs of the Named Insured.

Revision to Rule I.H. Premium Payment Plan Options via the Illinois Rating Manual Supplement

As required by your Department, we have included the Quarterly Installment Option (in compliance with your state specific requirements) via the Illinois Supplement. In addition, we are filing all other payment plan options and requesting approval of a late payment fee in the amount of \$10 under Options A & B. This fee will be charged if payments under the plan are not received by the payment due date.

Removal of Rule I. D. 8. Schedule Rating via the Illinois Rating Manual Supplement

Due to recent questions about Schedule Rating under another PICA program and because we are not using Schedule Rating under the OUM Chiropractor Program, we have chosen to remove this rule. There are no current policyholders who have received a debit or credit from schedule rating. The currently approved Illinois Supplement does contain two discounts (Claim Free and State Chiropractic Association) that we do use/apply instead of any discount under schedule rating.

Revisions to SECTION IV. Extended Reporting Period Coverage (Optional Extension Coverage)

We have revised this SECTION to comply with your state specific requirements (as per the Review Requirements Checklist) and for consistency with policy forms and endorsements (specifically, we revised B. 2. to state “on or after the retroactive date and before the termination of the policy...”). Additionally, we have added “...for a period of unlimited duration” and will also need to revise the Illinois Claim Made Amendatory Endorsement (pending under IL-599-C, SERFF Filing #SERT-6R82W5953/00-00/00-00/00) to include/state “...for a period of unlimited duration.

Neuman, Gayle

From: Brenda Crawford [BCrawford@picagroup.com]
Sent: Friday, September 22, 2006 4:53 PM
To: Neuman, Gayle
Subject: RE: PACO Assurance Co Inc. - Rate Filing #IL-781-C
Importance: High
Attachments: Response Letter - 9.21.2006.pdf; Explanatory Memorandum - PACO 2007 Rule Changes - Illinois..pdf; OUM Chiropractor Rating Manual _PACO_ Ed. 1-07 -Final Print Bookmarked.pdf; OUM Chiropractor Rating Manual (PACO) Ed. 6-05 to Ed. 1-07.pdf; Rating Manual Supplement - IL _PACO Chiro_ Ed. 1-07.pdf; IL Certification - signed.pdf; Illinois C of A - PACO Assurance.pdf; IL - Rate Rule Review Requirements Checklist - IL-781-C.pdf

Gayle,

I have attached a Cover Letter and Explanatory Memo which lists other attachments and discusses changes we have made. I think (hope) our premium payment plan is now in compliance (and we will submit the same for PICA Podiatry).

The new Review Requirements Checklist was very helpful and I have also attached a completed copy related to this filing. Based on the requirements, we did make some revisions to the ERP rules also. I also identified a necessary change to the pending PACO Chiro forms (see Explanatory Memo) and will send the revised forms via SERFF under the pending filing IL-599-C.

Please advise if we need to send a copy of all attachments via U. S. Mail or if the electronic version will suffice.

I appreciate your help and patience. Please let me know if you have any other questions.

Thanks,

Brenda Crawford
Regulatory Affairs Coordinator
The PICA Group
110 Westwood Place
Brentwood, TN 37027
Phone: 615-371-8776 Ext. 2150
Fax: 615-370-4803

-----Original Message-----

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Monday, September 11, 2006 10:48 AM
To: Brenda Crawford
Subject: PACO Assurance Co Inc. - Rate Filing #IL-781-C

Ms. Crawford,

We are in receipt of the above referenced filing submitted by letter dated August 22, 2006.

You are required to provide a copy of the complete rate/rule manual, including any changes made with this filing.

50 Ill. Adm. Code 929.30 requires identification of all changes from superseding filings. We request a written statement indicating the only changes made to the filing were disclosed to this Division.

Indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used?

As you know, the new Medical Professional Liability law in Illinois, PA94-677 (Senate Bill 475), requires insurers to implement a quarterly premium payment installment plan as prescribed by the Secretary of the Illinois Department of Financial and Professional Regulation (IDFPR).

This email is to advise you of the requirements being prescribed by the Secretary and by the Director of the Division of Insurance regarding the quarterly premium payment installment plan you are required to offer to your insureds. In reviewing the filing referenced above, we note that your quarterly installment plan does not meet and/or address some or all of the following prescribed requirements.

Please amend your rate/rule manual's quarterly installment plan provisions to comply with all of the following prescribed requirements and send me your updated manual pages no later than August 23, 2006.

Quarterly Premium Payment Installment Plan Prescribed Requirements

All companies writing medical liability insurance shall file with the Secretary or Director a plan to offer each medical liability insured the option to make premium payments, in at least quarterly installments. For purposes of this requirement, insurers may, but are not required to, offer such premium installment plans to insureds whose annual premiums are less than \$500, or for premium for any extension of a reporting period. Quarterly installment premium payment plans subject to this Section shall be included in the initial offer of the policy, or in the first policy renewal occurring after January 1, 2006. Thereafter, the insurer may, but need not re-offer such payment plan, but if an insured requests such payment plan at a later date, the insurer must make it available. All quarterly installment premium payment plan provisions shall be contained in the filed rate and/or rule manual in a section entitled, "Quarterly Installment Option" or a substantially similar title. If the company uses a substantially similar title, the Rule Submission Letter must indicate the name of the section that complies with this requirement. All quarterly installment premium payment plans shall include the minimum standards listed below. Insurers may provide for quarterly installment premium payment plans that differ from these minimum standards, as long as such plans have terms that are at least as or more favorable than those listed below.

- i) An initial payment of no more than 40% of the estimated total premium due at policy inception;
- ii) The remaining premium spread equally among the second, third, and fourth installments, with the maximum for such installments set at 30% of the estimated total premium, and due 3, 6, and 9 months from policy inception, respectively;
- iii) No interest charges;
- iv) Installment charges or fees of no more than 1% of the total premium or \$25.00, whichever is less;
- v) A provision stating that additional premium resulting from changes to the policy shall be spread equally over the remaining installments, if any. If there are no remaining installments, additional premium resulting from changes to a policy may be billed immediately as a separate transaction.

We request receipt of your response by September 22, 2006.

Gayle Neuman
Property & Casualty Compliance, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

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September 22, 2006

Ms. Gayle Neuman
Illinois Department of Insurance
320 West Washington Street
Springfield, Illinois 62767

RE: Response to Reviewer's Report dated 9.11.2006
PACO Assurance Company, Inc.
NAIC Group# 3504 - NAIC Company# 10222 - FEIN# 36-3998471
Line 11.0003 Medical Malpractice Claims Made and Occurrence/Chiropractors
OUM Chiropractor Program
Company Filing Number: IL-781-C
Proposed Effective Date: January 1, 2007

Dear Ms. Neuman:

In response your questions and advisory regarding the referenced filing, we offer the following:

- We are submitting a complete rate/rule manual as well as a revised Illinois Rating Manual Supplement for your review and approval. We have revised and included our premium payment plan/quarterly installment option via the Illinois Supplement. We believe this plan/option should now comply with your Department's requirements; however, we welcome any additional questions or directives.
- We are including a comparison of the current Ed. 6-05 and proposed Ed. 1-07 Rating Manual.
- We are including an Explanatory Memo which identifies and addresses all changes from superseding filings. We have identified the current and proposed Edition dates of the manual and supplement. All changes have been disclosed via the Explanatory Memo.
- We do have a plan for the gathering of statistics or reporting of statistics to a statistical agency. ISO is the statistical agency.
- We affirm that the Company does not unfairly discriminate in offering, administering, or applying the filed rate/rule manual and/or any amended provisions. Certification by a company officer is included/attached.
- We are including a copy of PACO's Certificate of Authority which indicates class and lines of business authorized.
- We are including the Illinois Review Requirements Checklist (effective 8/25/2006) for rate/rule filings and have made any corresponding changes via the Illinois Rating Manual Supp. Ed. 1-07.

We appreciate your continued review. Please do not hesitate to contact me if you need any additional information.

Sincerely,

Brenda G. Crawford

Brenda G. Crawford
Regulatory Affairs Coordinator
1-800-251-5727 Ext. 2150

EXPLANATORY MEMORANDUM – ILLINOIS
PACO Assurance Company, Inc.
OUM Chiropractor Program
Medical Professionals Program, a Purchasing Group
Amendatory Rule Filing

With this filing we are submitting for your approval revisions to the rules used with and previously approved for the OUM Chiropractor Program. A detailed description of the revisions is given below. If your state requires prior approval of rules used with this line of business, we will await your approval prior to implementation, otherwise we will begin using the filing on policies effective on or after the effective date referenced in our filing letter which is also attached. The proposed effective date for these changes is January 1, 2007.

Current Rating Manual Edition: Ed. 6-05

Current Rating Manual Supplement: Ed. 1-21-05

Proposed Rating Manual Edition: Ed. 1-07

Proposed Rating Manual Supplement: Ed. 1-07

Revision to Rule I.D.7 Multiple Discounts

We would like to submit for your approval a revision to Rule I.D.7 of our Rating Manual. This rule addresses Multiple Discounts. We would like to add to this rule a provision stating that the total maximum available discount from the application of all premium discounts will be 75%.

Revisions to Rule I.G.3 Policy Cancellation via the Illinois Rating Manual Supplement

We would like to submit for your approval a revision to Rule I.G.3 of our Rating Manual. This rule addresses Policy Cancellation. We are requesting approval of a reinstatement fee in the amount of \$50. This fee will be charged in order to reinstate a policy canceled for nonpayment of premium if payment is received after the effective date of cancellation. Reinstatement will be contingent upon a satisfactory underwriting review.

Addition of Rule II.E. Chiropractic Externship Endorsement

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Revision to Rule I.H. Premium Payment Plan/Quarterly Installment Option via the Illinois Rating Manual Supplement

As required by your Department, we have included the Premium Payment Plan/Quarterly Installment Option via the Illinois Supplement and revised the Plan to meet your state specific requirements. We are also including and requesting approval of a late payment fee in the amount of \$10. This fee will be charged if payments under the plan are not received by the payment due date.

Removal of Rule I. D. 8. Schedule Rating via the Illinois Rating Manual Supplement

Due to recent questions about Schedule Rating under another PICA program and because we are not using Schedule Rating under the OUM Chiropractor Program, we have chosen to remove this rule. There are no current policyholders who have received a debit or credit from schedule rating. The currently approved Illinois Supplement does contain two discounts (Claim Free and State Chiropractic Association) that we do use/apply instead of any discount under schedule rating.

Revisions to SECTION IV. Extended Reporting Period Coverage (Optional Extension Coverage)

We have revised this SECTION to comply with your state specific requirements (as per the Review Requirements Checklist) and for consistency with policy forms and endorsements (specifically, we revised B. 2. to state “on or after the retroactive date and before the termination of the policy...”). Additionally, we have added “...for a period of unlimited duration” and will also need to revise the Illinois Claim Made Amendatory Endorsement (pending under IL-599-C, SERFF Filing #SERT-6R82W5953/00-00/00-00/00) to include/state “...for a period of unlimited duration.

Text Comparison

Documents Compared

OUM Chiropractor Rating Manual _PACO_ Ed. 6-05.pdf

OUM Chiropractor Rating Manual _PACO_ Ed. 1-07 (Revised 6-13-06).pdf

Summary

112 word(s) added

30 word(s) deleted

2264 word(s) matched

5 block(s) matched

To see where the changes are, please scroll down.

CHIROPRACTIC UNDERWRITING MANUAL PROFESSIONAL LIABILITY

I. GENERAL RULES

This manual includes underwriting rules and regulations as they relate to underwriting for Chiropractic Physician Malpractice Liability.

A. INSURED CLASSIFICATION

1. Individual Chiropractor: Each chiropractor shall be individually written in accordance with these rules.
2. Partnership, Corporation or Professional Association: All owners in the entity must be insured with PACO and maintain the same Limits of Liability. There is no additional premium and the Limit of Liability is shared with the named insured. A separate limit of liability may be purchased for the corporation for an additional cost of 5% of total premium. The maximum charge would be 100% of the mature corresponding limit of liability and the minimum would be 5% of the professional liability premium being charged.
3. Chiropractic Medical Schools: Separate application and policy forms are available for institutional coverage to include interns, teaching staff and students.

B. POLICY TERM

Policies are written for a one year term and may be renewed annually thereafter. On exception, a short-term policy may be issued on a pro-rata basis and then renewed for an annual term thereafter.

C. PREMIUM COMPUTATION/ROUNDING TABLE

1. All premiums are for an annual period.
2. Computation of the premium at inception uses the premium in effect at the time. At each renewal, computation of the premium will be at the premium in effect at the time. If a claims-made policy, retroactive coverage may be provided to the insured's previous policy retroactive date (provided that the chiropractor's prior policy is a claims-made policy).
3. Each insured is rated in the state and/or territory where he or she practices more than 50% of the time.
4. Rounding to the nearest dollar amount is done at each step of the computation process, as opposed to rounding the final premium. (Round a premium involving \$.50 or over to the next higher whole dollar; less than \$.50 to the previous whole dollar.)

D. PREMIUM DISCOUNTS

1. License Date: PACO uses the license date as the reference date to be eligible for discounts. The license date is defined as the first date the chiropractor is eligible to practice chiropractic. We only use one date as the license date to reference discounts. The license date used to reference discounts is the first time a chiropractor ever becomes licensed to practice.

2. Employed: A chiropractor must be employed 100% of the time without ownership interest to receive a 25% employed discount. The insured cannot have any ownership interest and work for the corporation and receive the employed discount. It is pertinent to know who provides coverage for the employer.
3. New Practitioner: The first-year professional liability premium is reduced 75%, the second-year premium 50%, the third-year premium 35% and the fourth-year 20%. No finance charges will be applied to the first, second, third or fourth year. The insured's first licensure date must fall within 18 months of the insured's graduation date. .

The new practitioner discount will be allowed for applicants requesting retroactive coverage up to four years in practice.

4. Risk Management: We offer risk management discounts for insureds who attend certified seminars, complete approved home study courses, or fulfill other approved risk management educational objectives. The chiropractor can receive a 5% and/or 10% credit on their individual policy premium. The risk management discount will only be applied to the doctor's base premium. The maximum total risk management discount available per policy period is 15%. A 10% discount will be granted to new applicants who have completed either a risk management program which would have qualified for a risk management discount with their previous carrier or a continuing medical education program approved under applicable state law.

5. Semi-Retired: Premiums are reduced by 50%.

To qualify for this discount, the insured must be at least 55 years of age, must have been insured with PACO (or an affiliated company) for at least five years immediately prior to becoming semi-retired and must not practice more than 20 hours a week. Prior years of part-time status may be credited if verifiable from the practitioner.

6. Part-Time: To qualify for this discount, the insured must practice 1-10 hours to receive a 50% discount or 11-20 hours a week to receive a 25% discount.
7. Multiple Discounts: The practitioner will receive the greater of the classification discount that applies. For example an insured would receive a 50% semi-retired discount and not an employed chiropractor's discount.
8. Schedule Rating: The following schedule of credits or debits may be used to modify premium for certain insureds, reflecting unique exposure present in those risks. These insureds may qualify for schedule rating because of factors not contemplated in the filed rate structure of the company. Pursuant to underwriting judgment, any or all of the following factors may be considered when assigning credits or debits. A combined maximum credit or debit of 25% may be applied to recognize risk characteristics that are not reflected in an otherwise applicable rate. Any credits or debits assigned under this plan are subject to annual review. Premiums may be modified based upon the following exposure and rating characteristics:

	<u>Credit</u>	<u>Debit</u>
Participation in risk management program	0-15%	N/A
Unusual risk characteristics	0-25%	0-25%
Claims free discounts	0-10%	N/A
Record keeping	0-10%	0-10%
Professional loss history/trends	N/A	0-25%
Group practice or association membership	0-20%	N/A

(N/A = not applicable)

E. COVERAGE CHANGE REQUEST

The premium and rules in effect on the effective date of change apply. Coverage may be increased or decreased at any time during the policy year. Premium changes will be computed on a pro-rata basis.

1. Endorsements: Policies involving corporation, partnership or professional association limits of liability must be consistent. Endorsements are not back dated unless coverage has been replaced and verified. Any change in coverage must be submitted in writing and signed by the named insured.
2. Retroactive Coverage (Claims-Made only): A copy of the applicant's current declaration page is required to verify the retroactive date. If retroactive coverage is not approved, the applicant will be advised that Optional Extension Coverage should be purchased from their previous carrier. A practitioner accepted on probation is not allowed retroactive coverage.
3. Leave of Absence: This endorsement interrupts the premium and policy for special circumstances. These include, but are not limited to, illness, childbirth, sabbatical leave, additional training and other situations as approved by the Underwriting Department.
4. Locum Tenens Coverage: This coverage will be offered at no charge for periods of sixty days within any policy year, subject to underwriting approval of the replacement chiropractor.

F. RETURN PREMIUM POLICY

1. Deletion of a state mandated coverage is not permitted unless the entire policy is canceled.
2. Premium will be computed for policy cancellation utilizing the initial premium charged.
3. Return premium will be computed pro-rata by rounding to the next higher whole dollar when any coverage is deleted or an amount of insurance is reduced.
4. Premium of \$5.00 or less will be waived or returned to the insured if requested. This waiver only applies to cash exchange due on the endorsement effective date.
5. Return premium is sent to the "Named Insured" regardless of who makes the premium payment. In the event of death of an insured, the return premium is sent "To The Estate of"

G. POLICY CANCELLATION

1. Return premium is computed pro-rata and rounded to the next higher whole dollar when:
 - a. a policy is canceled by the company.
 - b. a policy is canceled by the insured because of retirement, disability or death.
(Notices are sent by certified mail to verify receipt of notification.)
2. Return premium is computed short-rate and rounded to the next higher whole dollar when:
 - a. a policy is cancelled by the insured.
 - b. a policy is cancelled for non-payment of premium
(Notices are sent by certified mail to verify receipt of notification.)
3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. A policyholder will be permitted two consecutive non-payment of premium cancellation notices. If it becomes necessary for a third consecutive cancellation notice, the cancellation notice will indicate the policy is being canceled for "Underwriting Reasons" and the coverage will not be reinstated.

- a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
- b. Cancellation notice will be sent by certified mail return receipt requested.

II. INSURANCE COVERAGE

- A. This policy includes but is not limited to mandatory Chiropractic Professional Liability coverage as a result of providing or failing to provide professional services.
- B. Corporation Professional Liability
 1. Shared Limit of Liability at no additional charge when the Company insures all members of the corporation.
 2. Separate Limit of Liability is optional for an additional 5% of the total premium charged as a result of the net premium of each insured member of the corporation or partnership. The Company must insure all members of the corporation. The maximum charge will be 100% of the mature premium for the corresponding limit of liability and the minimum would be 5% of the professional liability premium being charged.
- C. Regulatory or Administrative Legal Defense Costs Endorsement
This endorsement expands the Chiropractor Professional Liability Policy to include a Legal and Audit Defense Cost Benefit on matters instituted against the insured for specified "covered proceedings" as defined in the endorsement. It will be included with all policies at no additional charge. Limits are \$25,000/\$25,000.
- D. Chiropractic Treatment of Animals Endorsement
This endorsement is available for an additional premium of \$500 per year. It modifies the policy to include limited coverage for the chiropractic treatment of animals. Limits are \$25,000/\$50,000.

III. LIMITS OF LIABILITY

- A. \$ 100,000 Each Claim / \$ 300,000 Annual Aggregate
- B. \$ 200,000 Each Claim / \$ 600,000 Annual Aggregate
- C. \$ 250,000 Each Claim / \$ 750,000 Annual Aggregate
- D. \$ 500,000 Each Claim / \$1,000,000 Annual Aggregate
- E. \$ 500,000 Each Claim / \$1,500,000 Annual Aggregate
- F. \$1,000,000 Each Claim / \$1,000,000 Annual Aggregate
- G. \$1,000,000 Each Claim / \$3,000,000 Annual Aggregate

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

- A. The percentages in the following Table shall be applied to the mature claims-made premium (4th year premium) in the year coverage is being purchased.

<u>Years of Prior PACO (or affiliate) Claims-Made Coverage</u>	<u>Percentage of 4th Year Claims-Made Premium</u>
One	100%
Two	155%
Three	175%
Four or More	180%

- B. The availability of Extended Reporting Period coverage shall be governed by the following rules, subject to underwriting approval.
1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.
 2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred subsequent to the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).
 3. Extended Reporting Period Coverage will be provided, with no additional premium due, in the event of death or permanent disability. Permanent disability must have existed continuously for not less than six months, have rendered the insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.
 4. Extended Reporting Period Coverage will be available to all chiropractors insured under a claims-made policy except those who are canceled for non-payment of premium and/or non-compliance with the terms and conditions of the policy.
 5. Should an insured terminate coverage, the insured may purchase Extended Reporting Period Coverage. The insured is eligible for this coverage provided:
 - a. The insured requests Extended Reporting Period Coverage within 30 days of policy termination and premium is paid.
 - b. The insured requests Extended Reporting Period Coverage within 30 days after the effective date of cancellation of the policy.
 6. An insured who retires from practice will receive a 20% discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PACO (or an affiliated company). These discounts are reflected in the following Table.

<u>Consecutive Years with PACO</u>	<u>Discount Applicable To Extended Reporting Period Coverage Premium</u>
1	20%
2	40%
3	60%
4	80%
5	100%

7. Extended Reporting Period Coverage premium may be waived for policyholders who have been insured by PACO (or an affiliated company) for 5 years and enter full time academia.
8. Extended Reporting Period Coverage premium may be waived for policyholders who have been called to active duty by the United States Military.
9. In the event that the policy is canceled (for reasons other than nonpayment of premium or underwriting reasons) after 10 or more consecutive years of coverage, Extended Reporting Period Coverage shall be provided at no additional charge.

Reporting

CHIROPRACTIC UNDERWRITING MANUAL PROFESSIONAL LIABILITY

I. GENERAL RULES

This manual includes underwriting rules and regulations as they relate to underwriting for Chiropractic Physician Malpractice Liability.

A. INSURED CLASSIFICATION

1. Individual Chiropractor: Each chiropractor shall be individually written in accordance with these rules.
2. Partnership, Corporation or Professional Association: All owners in the entity must be insured with PACO and maintain the same Limits of Liability. There is no additional premium and the Limit of Liability is shared with the named insured. A separate limit of liability may be purchased for the corporation for an additional cost of 5% of total premium. The maximum charge would be 100% of the mature corresponding limit of liability and the minimum would be 5% of the professional liability premium being charged.
3. Chiropractic Medical Schools: Separate application and policy forms are available for institutional coverage to include interns, teaching staff and students.

B. POLICY TERM

Policies are written for a one year term and may be renewed annually thereafter. On exception, a short-term policy may be issued on a pro-rata basis and then renewed for an annual term thereafter.

C. PREMIUM COMPUTATION/ROUNDING TABLE

1. All premiums are for an annual period.
2. Computation of the premium at inception uses the premium in effect at the time. At each renewal, computation of the premium will be at the premium in effect at the time. If a claims-made policy, retroactive coverage may be provided to the insured's previous policy retroactive date (provided that the chiropractor's prior policy is a claims-made policy).
3. Each insured is rated in the state and/or territory where he or she practices more than 50% of the time.
4. Rounding to the nearest dollar amount is done at each step of the computation process, as opposed to rounding the final premium. (Round a premium involving \$.50 or over to the next higher whole dollar; less than \$.50 to the previous whole dollar.)

D. PREMIUM DISCOUNTS

1. License Date: PACO uses the license date as the reference date to be eligible for discounts. The license date is defined as the first date the chiropractor is eligible to practice chiropractic. We only use one date as the license date to reference discounts. The license date used to reference discounts is the first time a chiropractor ever becomes licensed to practice.

2. Employed: A chiropractor must be employed 100% of the time without ownership interest to receive a 25% employed discount. The insured cannot have any ownership interest and work for the corporation and receive the employed discount. It is pertinent to know who provides coverage for the employer.
3. New Practitioner: The first-year professional liability premium is reduced 75%, the second-year premium 50%, the third-year premium 35% and the fourth-year 20%. No finance charges will be applied to the first, second, third or fourth year. The insured's first licensure date must fall within 18 months of the insured's graduation date. .

The new practitioner discount will be allowed for applicants requesting retroactive coverage up to four years in practice.

4. Risk Management: We offer risk management discounts for insureds who attend certified seminars, complete approved home study courses, or fulfill other approved risk management educational objectives. The chiropractor can receive a 5% and/or 10% credit on their individual policy premium. The risk management discount will only be applied to the doctor's base premium. The maximum total risk management discount available per policy period is 15%. A 10% discount will be granted to new applicants who have completed either a risk management program which would have qualified for a risk management discount with their previous carrier or a continuing medical education program approved under applicable state law.

5. Semi-Retired: Premiums are reduced by 50%.

To qualify for this discount, the insured must be at least 55 years of age, must have been insured with PACO (or an affiliated company) for at least five years immediately prior to becoming semi-retired and must not practice more than 20 hours a week. Prior years of part-time status may be credited if verifiable from the practitioner.

6. Part-Time: To qualify for this discount, the insured must practice 1-10 hours to receive a 50% discount or 11-20 hours a week to receive a 25% discount.
7. Multiple Discounts: The practitioner will receive the greater of the classification discount that applies. For example an insured would receive a 50% semi-retired discount and not an employed chiropractor's discount. The total maximum discount available from the application of all discounts shall be 75%.
8. Schedule Rating: The following schedule of credits or debits may be used to modify premium for certain insureds, reflecting unique exposure present in those risks. These insureds may qualify for schedule rating because of factors not contemplated in the filed rate structure of the company. Pursuant to underwriting judgment, any or all of the following factors may be considered when assigning credits or debits. A combined maximum credit or debit of 25% may be applied to recognize risk characteristics that are not reflected in an otherwise applicable rate. Any credits or debits assigned under this plan are subject to annual review. Premiums may be modified based upon the following exposure and rating characteristics:

	<u>Credit</u>	<u>Debit</u>
Participation in risk management program	0-15%	N/A
Unusual risk characteristics	0-25%	0-25%
Claims free discounts	0-10%	N/A
Record keeping	0-10%	0-10%
Professional loss history/trends	N/A	0-25%
Group practice or association membership	0-20%	N/A

(N/A = not applicable)

E. COVERAGE CHANGE REQUEST

The premium and rules in effect on the effective date of change apply. Coverage may be increased or decreased at any time during the policy year. Premium changes will be computed on a pro-rata basis.

1. Endorsements: Policies involving corporation, partnership or professional association limits of liability must be consistent. Endorsements are not back dated unless coverage has been replaced and verified. Any change in coverage must be submitted in writing and signed by the named insured.
2. Retroactive Coverage (Claims-Made only): A copy of the applicant's current declaration page is required to verify the retroactive date. If retroactive coverage is not approved, the applicant will be advised that Optional Extension Coverage should be purchased from their previous carrier. A practitioner accepted on probation is not allowed retroactive coverage.
3. Leave of Absence: This endorsement interrupts the premium and policy for special circumstances. These include, but are not limited to, illness, childbirth, sabbatical leave, additional training and other situations as approved by the Underwriting Department.
4. Locum Tenens Coverage: This coverage will be offered at no charge for periods of sixty days within any policy year, subject to underwriting approval of the replacement chiropractor.

F. RETURN PREMIUM POLICY

1. Deletion of a state mandated coverage is not permitted unless the entire policy is canceled.
2. Premium will be computed for policy cancellation utilizing the initial premium charged.
3. Return premium will be computed pro-rata by rounding to the next higher whole dollar when any coverage is deleted or an amount of insurance is reduced.
4. Premium of \$5.00 or less will be waived or returned to the insured if requested. This waiver only applies to cash exchange due on the endorsement effective date.
5. Return premium is sent to the "Named Insured" regardless of who makes the premium payment. In the event of death of an insured, the return premium is sent "To The Estate of"

G. POLICY CANCELLATION

1. Return premium is computed pro-rata and rounded to the next higher whole dollar when:
 - a. a policy is canceled by the company.
 - b. a policy is canceled by the insured because of retirement, disability or death.
(Notices are sent by certified mail to verify receipt of notification.)
2. Return premium is computed short-rate and rounded to the next higher whole dollar when:
 - a. a policy is cancelled by the insured.
 - b. a policy is cancelled for non-payment of premium
(Notices are sent by certified mail to verify receipt of notification.)
3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. If payment is received after the effective date of cancellation, the policy may be reinstated with a satisfactory underwriting review and will be charged a \$50 reinstatement fee. A policyholder will be permitted two consecutive non-payment of premium cancellation notices. If it becomes necessary for a third consecutive cancellation notice, the

cancellation notice will indicate the policy is being canceled for "Underwriting Reasons" and the coverage will not be reinstated.

- a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
- b. Cancellation notice will be sent by certified mail return receipt requested.

II. INSURANCE COVERAGE

- A. This policy includes but is not limited to mandatory Chiropractic Professional Liability coverage as a result of providing or failing to provide professional services.
- B. Corporation Professional Liability
 1. Shared Limit of Liability at no additional charge when the Company insures all members of the corporation.
 2. Separate Limit of Liability is optional for an additional 5% of the total premium charged as a result of the net premium of each insured member of the corporation or partnership. The Company must insure all members of the corporation. The maximum charge will be 100% of the mature premium for the corresponding limit of liability and the minimum would be 5% of the professional liability premium being charged.
- C. Regulatory or Administrative Legal Defense Costs Endorsement
This endorsement expands the Chiropractor Professional Liability Policy to include a Legal and Audit Defense Cost Benefit on matters instituted against the insured for specified "covered proceedings" as defined in the endorsement. It will be included with all policies at no additional charge. Limits are \$25,000/\$25,000.
- D. Chiropractic Treatment of Animals Endorsement
This endorsement is available for an additional premium of \$500 per year. It modifies the policy to include limited coverage for the chiropractic treatment of animals. Limits are \$25,000/\$50,000.
- E. Chiropractic Externship Endorsement
This endorsement will be available for no additional premium. It modifies the policy to include coverage for chiropractic externs of the Named Insured. The name of each chiropractic extern will be indicated on the endorsement.

III. LIMITS OF LIABILITY

- A. \$ 100,000 Each Claim / \$ 300,000 Annual Aggregate
- B. \$ 200,000 Each Claim / \$ 600,000 Annual Aggregate
- C. \$ 250,000 Each Claim / \$ 750,000 Annual Aggregate
- D. \$ 500,000 Each Claim / \$1,000,000 Annual Aggregate
- E. \$ 500,000 Each Claim / \$1,500,000 Annual Aggregate
- F. \$1,000,000 Each Claim / \$1,000,000 Annual Aggregate
- G. \$1,000,000 Each Claim / \$3,000,000 Annual Aggregate

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

- A. The percentages in the following Table shall be applied to the mature claims-made premium (4th year premium) in the year coverage is being purchased.

<u>Years of Prior PACO (or affiliate) Claims-Made Coverage</u>	<u>Percentage of 4th Year Claims-Made Premium</u>
One	100%
Two	155%

<u>Three</u>	<u>175%</u>
<u>Four or More</u>	<u>180%</u>

B. The availability of Extended Reporting Period coverage shall be governed by the following rules, subject to underwriting approval.

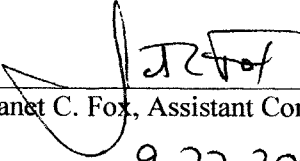
1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.
2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred subsequent to the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).
3. Extended Reporting Period Coverage will be provided, with no additional premium due, in the event of death or permanent disability. Permanent disability must have existed continuously for not less than six months, have rendered the insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.
4. Extended Reporting Period Coverage will be available to all chiropractors insured under a claims-made policy except those who are canceled for non-payment of premium and/or non-compliance with the terms and conditions of the policy.
5. Should an insured terminate coverage, the insured may purchase Extended Reporting Period Coverage. The insured is eligible for this coverage provided:
 - a. The insured requests Extended Reporting Period Coverage within 30 days of policy termination and premium is paid.
 - b. The insured requests Extended Reporting Period Coverage within 30 days after the effective date of cancellation of the policy.
6. An insured who retires from practice will receive a 20% discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PACO (or an affiliated company). These discounts are reflected in the following Table.

<u>Consecutive Years with PACO</u>	<u>Discount Applicable To Extended Reporting Period Coverage Premium</u>
1	20%
2	40%
3	60%
4	80%
5	100%

7. Extended Reporting Period Coverage premium may be waived for policyholders who have been insured by PACO (or an affiliated company) for 5 years and enter full time academia.
8. Extended Reporting Period Coverage premium may be waived for policyholders who have been called to active duty by the United States Military.
9. In the event that the policy is canceled (for reasons other than nonpayment of premium or underwriting reasons) after 10 or more consecutive years of coverage, Extended Reporting Period Coverage shall be provided at no additional charge.

CERTIFICATION

I, Janet C. Fox, a duly authorized officer of
PACO Assurance Company, Inc.,
am authorized to certify on behalf of the Company making this filing that the company
does not unfairly discriminate in offering or administering this program.



Janet C. Fox, Assistant Corporate Secretary and Administrator of Regulatory Affairs
9-22-2006

Date

Insurance Company FEIN: 36-3998471 NAIC: 10222 Group: 3504 Filing Number : IL-781-C

Insurer's Address 110 Westwood Place

City Brentwood State TN Zip Code 37027

Contact Person's:

-Name and E-mail Brenda G. Crawford bcrawford@picagroup.com

-Direct Telephone and Fax Number 1-800-251-5727 x. 2150 Fax: 615-370-4803

OUM CHIROPRACTOR PROGRAM

SUPPLEMENT TO CHIROPRACTIC PHYSICIAN MALPRACTICE LIABILITY RATING MANUAL

STATE OF ILLINOIS

A. The following Discounts are added to **SECTION I. D. Premium Discounts:**

9. Claim* Free Discount: Chiropractors may qualify for a 3% to 5% discount in premium based on a claim-free status for a minimum period of three years.

* A claim is a demand for money or services

10. State Chiropractic Association Discount: The premium may be decreased by 10% to reflect membership in the Illinois Chiropractic Society (ICS).

B. **Rule G.3** under **SECTION I.** is hereby replaced with the following:

3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. If payment is received after the effective date of cancellation, the policy may be reinstated with a satisfactory underwriting review, and will be charged a \$50 reinstatement fee. A policyholder will be permitted two consecutive non-payment of premium cancellation notices. If it becomes necessary for a third consecutive cancellation notice, the cancellation notice will indicate the policy is being canceled for non-payment of premium and the coverage will not be reinstated.
 - a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
 - b. Cancellation notice will be sent by certified mail return receipt requested.

C. **SECTION IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)** is hereby deleted in its entirety and replaced with the following:

- A. The premium for the Optional Extension Coverage shall be the product of the applicable percentage factor in the following Table and the expiring annual premium of the policy:

<u>Consecutive Years of Prior Claims-Made Coverage</u>	<u>Percentage Factor Applicable</u>
One	100%
Two	155%
Three	175%
Four or More	180%

The number of consecutive years of prior claims-made coverage shall be determined as of the date the Optional Extension Coverage is purchased.

- B. The availability of Extended Reporting Period coverage shall be governed by the following rules, subject to underwriting approval.
1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.
 2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred on or after the retroactive date and before the termination of the policy (and which is otherwise covered by this insurance) for a period of unlimited duration.
 3. Extended Reporting Period Coverage will be provided, with no additional premium due, in the event of death or permanent disability. Permanent disability must have existed continuously for not less than six months, have rendered the insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.
 4. Extended Reporting Period Coverage will be available to all chiropractors insured under a claims-made policy.
 5. Upon termination of coverage, the insured may purchase Extended Reporting Period Coverage. The insured is eligible for this coverage provided:
 - a. the insured requests Extended Reporting Period Coverage within 30 days of the effective date of termination; and
 - b. any outstanding premium with respect to the terminated policy is paid.
 6. An insured who retires from practice will receive a 20% discount from the

applicable Extended Reporting Period Coverage premium for each consecutive year with PACO (or an affiliated company). These discounts are reflected in the following Table.

<u>Consecutive Years with PACO</u>	<u>Discount Applicable To Extended Reporting Period Coverage Premium</u>
1	20%
2	40%
3	60%
4	80%
5	100%

7. Extended Reporting Period Coverage premium may be waived for policyholders who have been insured by PACO (or an affiliated company) for 5 years and enter full time academia.
8. Extended Reporting Period Coverage premium will be permanently waived for policyholders who have been called to active duty by the United States Military.
9. In the event that the policy is canceled (for reasons other than nonpayment of premium or underwriting reasons) after 10 or more consecutive years of coverage, Extended Reporting Period Coverage shall be provided at no additional charge.
10. The Company shall inform the Insured of the optional Extended Reporting Period Coverage (ERP) premium at the time the last policy is purchased. The Company may not wait until the Insured requests to purchase the ERP to tell the Insured what the premium will be or how the premium would be calculated.
11. The following credits: Claims Free Discount, Employed Chiropractor, New Practitioner, Part –Time, and Semi-Retired (as defined under Rule I.D.) shall, if applicable, be applied when determining the final extended reporting period premium.

The following credits: Leave of Absence and Risk Management (as defined under Rule I.D) shall not be applied when determining the final extended reporting period premium.

D. Rule D. 8. Schedule Rating under **SECTION I** is hereby deleted in its' entirety.

E. The following is hereby added as **Rule H.** under the **SECTION I. GENERAL RULES**

H. PREMIUM PAYMENT PLAN/QUARTERLY INSTALLMENT OPTION

1. A premium payment plan/quarterly installment option is available upon issuance of a new policy or upon renewal of an existing policy. The plan/option will include an installment charge of \$25.00 per installment or 1% of the total gross annual premium whichever is less. Available plan/option is a quarterly (four-pay) plan/option with equal installments of 25% each.

The first installment is due (as a down payment) when the policy is issued or renewed. The remaining installments are due 3, 6, and 9 months from policy inception.

- a. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account.

Arrangements may be made to allow the practitioner time to pay the outstanding balance.

2. Additional premium from a policy change shall be spread over the remaining installments, if any. If there are no remaining installments, additional premium resulting from change shall be billed immediately as a separate transaction.
3. Insureds shall have the option of paying the premium in full at any time without incurring additional fees.
4. In the event that an insured makes his/her payment after the due date, he/she will be charged a flat late fee of \$10.00.

AMENDED CERTIFICATE OF AUTHORITY

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



Whereas, the PACQ Assurance Company, Inc.

located at Springfield, in the State of ILLINOIS
has complied with all the requirements of the "ILLINOIS INSURANCE CODE" applicable to
said Company:

NOW, THEREFORE, I, the undersigned, Director of Insurance of the State of Illinois, do
hereby authorize the said Company to transact its appropriate business as set forth under
Clause(s) _____

(b), (c), (h), (i), (j), (l) of Class 2

(a), (b), (h), (i) of Class 3

of Section 4 of the "ILLINOIS INSURANCE CODE" in this State, in accordance with the
laws thereof.



In Testimony Whereof,

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 10th

day of August, 19 99

Nat Shyzo
Nathaniel S. Shapo,

Director of Insurance

Contact Person:

Gayle Neuman

217-524-6497

Gayle.Neuman@illinois.gov

**Illinois Division of Insurance
Review Requirements Checklist**

**320 West Washington Street
Springfield, IL 62767-0001**

Effective as of 8/25/06

<u>Line(s) of Business</u>	<u>Code(s)</u>	
<input checked="" type="checkbox"/> MEDICAL MALPRACTICE	11.0000	***This checklist is for rate/rule
<input checked="" type="checkbox"/> Claims Made	11.10000	filings only.
<input checked="" type="checkbox"/> Occurrence	11.2000	See separate form checklist.

<u>Line(s) of Insurance</u>	<u>Code(s)</u>	<u>Line(s) of Insurance</u>	<u>Code(s)</u>	<u>Line(s) of Insurance</u>	<u>Code(s)</u>
<input type="checkbox"/> Acupuncture	11.0001	<input type="checkbox"/> Hospitals	11.0009	<input type="checkbox"/> Optometry	11.0019
<input type="checkbox"/> Ambulance Services	11.0002	<input type="checkbox"/> Professional Nurses	11.0032	<input type="checkbox"/> Osteopathy	11.0020
<input type="checkbox"/> Anesthetist	11.0031	<input type="checkbox"/> Nurse – Anesthetists	11.0010	<input type="checkbox"/> Pharmacy	11.0021
<input type="checkbox"/> Assisted Living Facility	11.0033	<input type="checkbox"/> Nurse – Lic. Practical	11.0011	<input type="checkbox"/> Physical Therapy	11.0022
<input checked="" type="checkbox"/> Chiropractic	11.0003	<input type="checkbox"/> Nurse – Midwife	11.0012	<input type="checkbox"/> Physicians & Surgeons	11.0023
<input type="checkbox"/> Community Health Center	11.0004	<input type="checkbox"/> Nurse – Practitioners	11.0013	<input type="checkbox"/> Physicians Assistants	11.0024
<input type="checkbox"/> Dental Hygienists	11.0005	<input type="checkbox"/> Nurse – Private Duty	11.0014	<input type="checkbox"/> Podiatry	11.0025
<input type="checkbox"/> Dentists	11.0030	<input type="checkbox"/> Nurse – Registered	11.0015	<input type="checkbox"/> Psychiatry	11.0026
<input type="checkbox"/> Dentists – General Practice	11.0006	<input type="checkbox"/> Nursing Homes	11.0016	<input type="checkbox"/> Psychology	11.0027
<input type="checkbox"/> Dentists – Oral Surgeon	11.0007	<input type="checkbox"/> Occupational Therapy	11.0017	<input type="checkbox"/> Speech Pathology	11.0028
<input type="checkbox"/> Home Care Service Agencies	11.0008	<input type="checkbox"/> Ophthalmic Dispensing	11.0018	<input type="checkbox"/> Other	11.0029

**Illinois Insurance
Code Link**

[Illinois Compiled
Statutes Online](#)

**Illinois
Administrative
Code Link**

[Administrative
Regulations Online](#)

**Product Coding
Matrix Link**

[Product Coding Matrix](#)

**NAIC Uniform
Transmittal Form**

[50 IL Adm. Code 929](#)
[NAIC Uniform
Transmittal Form](#)

If insurers wish to use the NAIC Uniform Transmittal form in lieu of a cover letter/explanatory memorandum, the Division will accept such form, as long as all information required in the "Cover Letter & Explanatory Memorandum" section below are properly included.

**NAIC Self-
Certification Pilot
Program**

[Newsletter Article
regarding Division's
Participation](#)
[Self-Certification form](#)

If an authorized company officer completes the Self-Certification form, and submits such form as the 1st page of the filing, the Division will expedite review of the filing ahead of all other filings received to date. The Division will track company compliance with the laws, regulations, bulletins, and this checklist and report such information to the NAIC.

**Location of
Standard within
Filing Column**

See checklist format below.

To expedite review of your filing, use this column to indicate location of the standard within the filing (e.g. page #, section title, etc.)

**Description of
Review
Standards
Requirements
Column**

See checklist format below.

These brief summaries do not include all requirements of all laws, regulations, bulletins, or requirements, so review actual law, regulation, bulletin, or requirement for details to ensure that forms are fully compliant before filing with the Division of Insurance.

**FILING
REQUIREMENTS
FOR FORM
FILINGS**

See separate form filing checklist.

REFERENCE

**DESCRIPTION OF REVIEW STANDARD
REQUIREMENT**

**LOCATION OF
STANDARD WITHIN
FILING**

To assist insurers in submitting compliant medical liability rate/rule filings as a result of newly-passed PA94-677 (SB475), the Division has created this separate, comprehensive rate/rule filing checklist for medical liability filings.

Please see the separate form filing checklist for requirements related to medical liability forms.

**GENERAL FILING
REQUIREMENTS
FOR ALL
RATE/RULE
FILINGS**

**LINE OF
AUTHORITY**

Must have proper Class and Clause authority to conduct this line of business in Illinois.

215 ILCS 5/4

List of
Classes/Clauses

To write Medical Liability Insurance in Illinois, companies must be licensed to write:

1. Class 2, Clause (c)

*CERTIFICATE
OF AUTHORITY ATTACH
YES -*

**RATES AND
RULES REQUIRED
TO BE FILED**

**Rates/Rules Must be
Filed Separately from
Forms**

Insurers shall make separate filings for rate/rules and for forms/endorsements, etc.

The laws and regulations for medical liability forms/endorsements and the laws for medical liability rates/rules are different and each must be reviewed according to its own set of laws/regulations/procedures. Therefore, insurers are required to file forms and rates/rules separately.

YES

For requirements regarding form filings, see separate form filing checklist.

New Insurers

New insurers must file their rates, rules, plans for gathering statistics, etc. upon commencement of business.

215 ILCS 5/155.18

50 IL Adm. Code
929

"New Insures" are insurers who are:

- New to Illinois.
- New writers of medical liability insurance in Illinois.
- Writing a new Line of Insurance listed on Page 1 of this checklist,

N/A

New insurers must file the following:

- a) Medical liability insurance rate manual, including all rates.

- b) Rules, including underwriting rule manuals which contain rules for applying rates or rating plans,
- c) Classifications and other such schedules used in writing medical liability insurance.
- d) Statement regarding whether the insurer:

- Has its own plan for the gathering of medical liability statistics; or
- Reports its medical liability statistics to a statistical agent (and if so, which agent).

The Director, at any time, may request a copy of the insurer's statistical plan or request the insurer to provide written verification of membership and reporting status from the insurer's reported statistical agency.

Insurers are instructed to review all requirements in this checklist, including the requirements for applicable actuarial documentation, as well as all medical liability laws and regulations, to ensure that the filing contains all essential elements before submitting the filing to the Division.

Amendments to Initial Rate/Rule Filings

After a new insurer has filed the rates/rules/information described above, insurers must file rates/rules, or advise of changes to statistical plans, as often as they are amended.

215 ILCS 5/155.18

50 IL Adm. Code 929

After a new insurer has filed the rates/rules/information described above, insurers must file rates/rules/rating schedules (as described above for new business) as often as such filings are changed or amended, or when any new rates or rules are added.

- YES

Any change in premium to the company's insureds as a result of a change in the company's base rates or a change in its increased limits factors shall constitute a change in rates and shall require a filing with the Director.

- YES

Insurers shall also advise the Director if its plans for the gathering of statistics has changed, or if the insurer has changed statistical agents.

- AGREE

The Director, at any time, may request a copy of the insurer's statistical plan or request the insurer to provide written verification of membership and reporting status from the insurer's reported statistical agency.

- AGREE

Insurers are instructed to review all requirements in this checklist, including the requirements for applicable actuarial documentation, as well as all medical liability laws and regulations, to ensure that the filing contains all essential elements before submitting the filing to the Division.

- YES

EFFECTIVE DATES OF RATE/RULE FILINGS

Illinois is "file and use" for medical liability rates and rules.

215 ILCS 5/155.18

50 IL Adm. Code

A rate/rating plan/rule filing shall go into effect no earlier than the date the filing is received by the Division of Insurance, Property & Casualty

AGREE

929

Compliance Section, except as otherwise provided in Section 155.18.

**ADOPTIONS OF
ADVISORY
ORGANIZATION
FILINGS**

Insurer must file all rates and rules on its own behalf. 50 IL Adm. Code 929

Although Rule 929 allows for insurers to adopt advisory organization rule filings, advisory organizations no longer file rules in Illinois.

N/A

**COPIES, RETURN
ENVELOPES, ETC.**

Requirement for duplicate copies and return envelope with adequate postage. 50 IL Adm. Code 929

Insurers that desire a stamped returned copy of the filing or submission letter must submit a duplicate copy of the filing/letter, along with a return envelope large enough and containing enough postage to accommodate the return filing.

YES

**COVER LETTER &
EXPLANATORY
MEMORANDUM**

Two copies of a submission letter are required, and the submission letter must contain the information specified.

215 ILCS 5/155.18

50 IL Adm. Code 929

Company Bulletin 88-53

Actuarial Certification Form

NAIC Uniform Transmittal Form

"Me too" filings are not allowed.

Use of NAIC Uniform Transmittal form is acceptable as long as all required information is included.

All filings must be accompanied by a submission letter which includes all of the following information:

1) Exact name of the company making the filing.

- YES

2) Federal Employer Identification Number (FEIN) of the company making the filing.

- YES

3) Unique filing identification number – may be alpha, numeric, or both. Each filing number must be unique within a company and may not be repeated on subsequent filings. If filing subsequent revisions to a pending filing, use the same filing number as the pending filing or the revision(s) will be considered a new filing.

- YES

4) Identification of the classes of medical liability insurance to which the filing applies (for identifying classes, refer to Lines of Insurance shown on Page 1 of this checklist, in compliance with the NAIC Product Coding Matrix).

- YES

5) Notification of whether the filing is new or supersedes a present filing. If filing supersedes a present filing, insurer must identify all changes in superseding filings, and all superseded filings, including the following information:

- YES

- Copy of the complete rate/rule manual section(s) being changed by the filing with all changes clearly highlighted or otherwise identified.
- Written statement that all changes made to the superseded filing have been disclosed.
- List of all pages that are being completely superseded or replaced with new pages.
- List of pages that are being withdrawn and not being replaced.
- List of new pages that are being added to the

- YES

- YES

- YES

- TOTAL REPLACEMENT OF MANUAL

- YES

superseded filing.

- Copies of all manual pages that are affected by the new filing, including but not limited to subsequent pages that are amended solely by receiving new page numbers.

-YES

6) Effective date of use.

-YES

7) Actuarial certification (see Actuarial Certification section below). Insurers may use their own form or may use the sample form developed by the Division.

-YES

8) Statement that the insurer, in offering, administering, or applying the filed rate/rule manual and/or any amended provisions, does not unfairly discriminate.

-YES-

Companies under the same ownership or general management are required to make separate, individual company filings. Company Group ("Me too") filings are unacceptable.

-AGREE

If insurers wish to use the NAIC Uniform Transmittal form in lieu of a cover letter/explanatory memorandum, the Division will accept such form, as long as all information required in this section is properly included.

-AGREE

FORM RF-3 Summary Sheet

For any rate change, duplicate copies of Form RF-3 must be filed, no later than the effective date.

50 IL Adm. Code 929

Form RF-3
Summary Sheet

For any rate level change, insurers must file two copies of Form RF-3 (Summary Sheet) which provides information on changes in rate level based on the company's premium volume, rating system, and distribution of business with respect to the classes of medical liability insurance to which the rate revision applies. Such forms must be received by the Division's Property & Casualty Compliance Section no later than the stated effective date of use.

-YES

Insurers must report the rate change level and premium volume amounts on the "Other" Line and insert the words "Medical Liability" on the "Other" descriptive line. Do not list the information on the "Other Liability" line.

-YES

If the Medical Liability premium is combined with any other Lines of Business (e.g. CGL, commercial property, etc.), the insurer must report the effect of rate changes to each line separately on the RF-3, indicating the premium written and percent of rate change for each line of business.

-N/A

The RF-3 form must indicate whether the information is "exact" or "estimated."

-AGREE

PAYMENT PLANS

Quarterly premium
payment installment

215 ILCS 5/155.18

A company writing medical liability insurance in Illinois shall offer to each of its medical liability

plan required as prescribed by the Director.

insureds the option to make premium payments in quarterly installments as prescribed by and filed with the Director. Such option must be offered in the initial offer of the policy or in the first policy renewal occurring after January 1, 2006. Thereafter, the insurer need not offer the option, but if the insured requests it, must make it available. Such plans are subject to the following minimum requirements:

- May not require more than 40% of the estimated total premium to be paid as the initial payment;
- Must spread the remaining premium equally among the 2nd, 3rd, and 4th installments, with the maximum set at 30% of the estimated total premium, and due 3, 6, and 9 months from policy inception, respectively;
- May not apply interest charges;
- May include an installment charge or fee of no more than the lesser of 1% of the total premium or \$25;
- Must spread any additional premium resulting from changes to the policy equally over the remaining installments, if any. If there are no remaining installments, the additional premium may be billed immediately as a separate transaction; and
- May, but is not required to offer payment plan for extensions of a reporting period, or to insureds whose annual premiums are less than \$500. However, if offered to either, the plan must be made available to all within that group.

- AGREE

- AGREE -
IL RATING MANUAL
SUPPLEMENT Ed. 107

- AGREE

- AGREE

- AGREE

- AGREE

- AGREE

DEDUCTIBLES

Deductible plans should be filed if offered.

215 ILCS 5/155.18

A company writing medical liability insurance in Illinois is encouraged, but not required, to offer the opportunity for participation in a plan offering deductibles to its medical liability insureds. Any such plan shall be contained in a filed rate/rule manual section entitled "Deductibles Offered" or substantially similar title. If an insurer uses a substantially similar title, the Rate/Rule Submission Letter or NAIC Uniform Transmittal form must indicate the name of the section that applies.

N/A

DISCOUNTS

Premium discount for risk management activities should be filed if offered.

215 ILCS 5/155.18

A company writing medical liability insurance in Illinois is encouraged, but not required, to offer their medical liability insureds a plan providing premium discounts for participation in risk management activities. Any such plan shall be contained in a filed rate/rule manual section entitled "Risk Management Activities Discounts" or substantially similar title. If an insurer uses a substantially similar title, the Rate/Rule Submission Letter or NAIC Uniform Transmittal form must indicate the name of the

AGREE -

IL RATING MANUAL
SUPP. Ed. 107

**CLAIMS MADE
REQUIREMENTS**

Extended reporting
period (tail coverage)
requirements.

215 ILCS 5/143(2)

Company Bulletin
88-50

section that applies.

When issuing claims-made medical liability insurance policies, insurers must include the following specific information in their rate/rule manuals:

- Offer of an extended reporting period (tail coverage) of at least 12 months. The rate/rule manual must specify whether the extended reporting period is unlimited or indicate its term (i.e. number of years).***
- Cost of the extended reporting period, which must be priced as a factor of one of the following:***
 - the last 12 months' premium.
 - the premium in effect at policy issuance.
 - the expiring annual premium.
- List of any credits, discounts, etc. that will be added or removed when determining the final extended reporting period premium.
- Insurer will inform the insured of the extended reporting period premium at the time the last policy is purchased. The insurer may not wait until the insured requests to purchase the extended reporting period coverage to tell the insured what the premium will be or how the premium would be calculated.
- Insurer will offer the extended reporting period when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.
- Insurer will allow the insured 30 days after the policy is terminated to purchase the extended reporting period coverage.***
- Insurer will trigger the claims made coverage when notice of claim is received and recorded by the insured or company, whichever comes first.

***If the medical liability coverage is combined with other professional or general liability coverages, the medical liability insurer must meet all of the above requirements, except those indicated with ***, in which case, the insurer must:

- Offer free 5-year extended reporting period (tail coverage) or
- Offer an unlimited extended reporting period with the limits reinstated (100% of aggregate

AGREE - ALL
IL RATING
MANUAL SUPP.
Ed 1-07

N/A

- expiring limits for the duration)
- Cap the premium at 200% of the annual premium of the expiring policy; and
- Give the insured a free-60 day period after the end of the policy to request the coverage.

GROUP MEDICAL LIABILITY

Group medical liability insurance is not specifically allowed under the Illinois Insurance Code.

50 IL Adm. Code 906

Part 906 of the Illinois Administrative Code prohibits writing of group casualty (liability) insurance unless specifically authorized by statute. The Illinois Insurance Code does not specifically authorize the writing of group medical liability insurance.

— AGREE

CANCELLATION & NONRENEWAL PROVISION REQUIREMENTS

If rate/rule manuals contain language pertaining to cancellation or nonrenewal, must comply with all cancellation/nonrenewal laws.

See Medical Liability Forms Checklist for Specific Information about Illinois Cancellation & Nonrenewal Laws and Regulations.

If a rate or rule manual contains language pertaining to cancellation or nonrenewal of any medical liability insurance coverage, such provisions must comply with all cancellation and nonrenewal provisions of the Illinois Insurance Code, including but not limited to the following: 143.10, 143.16, 143.16a, 143.17a. See Medical Liability Forms Checklist for Specific Information about Illinois Cancellation & Nonrenewal Laws and Regulations.

— AGREE

ACTUARIAL REVIEW REQUIREMENTS

Rates shall not be excessive, inadequate, or unfairly discriminatory.

215 ILCS 5/155.18

In the making or use of rates pertaining to all classes of medical liability insurance, rates shall not be excessive, or inadequate, nor shall they be unfairly discriminatory.

AGREE

Rate and rule manual provisions should be defined and explained in a manner that allows the Division to ascertain whether the provision could be applied in an unfairly discriminatory manner. For example, if a rate/rule manual contains ranges of premiums or discounts, the provision must specify the criteria to determine the specific premium/discount an insured or applicant would receive.

The Director may, by order, adjust a rate or take any other appropriate action at the conclusion of a public hearing.

PRICING

Insurers shall consider certain information when developing medical liability rates.

215 ILCS 5/155.18

Consideration shall be given, to the extent applicable, to past and prospective loss experience within and outside this State, to a reasonable margin for underwriting profit and contingencies, to past and prospective expenses both countrywide and those especially applicable to Illinois, and to all other factors, including judgment factors, deemed relevant within and outside Illinois.

AGREE

Consideration may also be given in the making and use of rates to dividends, savings or unabsorbed premium deposits allowed or returned by companies to their policyholders, members or subscribers.

The systems of expense provisions included in the rates for use by any company or group of companies may differ from those of other companies or groups of companies to reflect the operating methods of any such company or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof.

Minimum Premium Rules

Insurers may group or classify risks for establishing rates and minimum premiums.

215 ILCS 5/155.18

Risks may be grouped by classifications for the establishment of rates and minimum premiums.

N/A

"A" RATED RISKS

Individual Risk Rating

Risks may be rated on an individual basis as long as all provisions required in Section 155.18 are met.

215 ILCS 5/155.18

Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any difference among risks that have a probable effect upon losses or expenses. Such classifications or modifications of classifications of risks may be established based upon size, expense, management, individual experience, location or dispersion of hazard, or any other reasonable considerations, and shall apply to all risks under the same or substantially the same circumstances or conditions. The rate for an established classification should be related generally to the anticipated loss and expense factors or the class.

N/A

RISK CLASSIFICATION

Risks may be grouped by classifications.

215 ILCS 5/155.18

Risks may be grouped by classifications for the establishment of rates and minimum premiums.

AGREE

Rating decisions based solely on domestic violence.

215 ILCS 5/155.22b

No insurer may that issues a property and casualty policy may use the fact that an applicant or insured incurred bodily injury as a result of a battery committed against him/her by a spouse or person in the same household as a sole reason for a rating decision.

AGREE

Unfair methods of

215 ILCS 5/424(3)

It is an unfair method of competition or unfair and

competition or unfair or deceptive acts or practices defined.

deceptive act or practice if a company makes or permits any unfair discrimination between individuals or risks of the same class or of essentially the same hazard and expense element because of the race, color, religion, or national origin of such insurance risks or applicants.

AGREE

Procedure as to unfair methods of competition or unfair or deceptive acts or practices not defined.

215 ILCS 5/429

Outlines the procedures the Director follows when he has reason to believe that a company is engaging in unfair methods of competition or unfair or deceptive acts or practices.

AGREE

Territorial Definitions

Rate/rule manuals must contain correct and adequate definitions of Illinois territories.

215 ILCS 5/155.18

When an insurer's rate/rule program includes differing territories within the State of Illinois, rate/rule manuals must contain correct and adequate definitions of those territories, and that all references to the territories or definitions are accurate, so the Division does not need to request additional information.

AGREE

SEE RATE PAGES

ACTUARIAL SUPPORT INFORMATION REQUIRED

ACTUARIAL CERTIFICATION

Actuarial certification must accompany all rate filings and all rule filings that affect rates.

215 ILCS 5/155.18

50 IL Adm. Code 929

Every rate and/or rating rule filing must include a certification by an officer of the company and a qualified actuary that the company's rates and/or rules are based on sound actuarial principles and are not inconsistent with the company's experience.

YES

Actuarial Certification Form

Insurers may use their own form or may use the sample form created by the Division.

ACTUARIAL OR STATISTICAL INFORMATION

Director may request actuarial and statistical information.

215 ILCS 5/155.18

50 IL Adm. Code 929

The Director may require the filing of statistical data and any other pertinent information necessary to determine the manner of promulgation and the acceptability or unacceptability of a filing for rules, minimum premiums, rates, forms or any combination thereof.

AGREE

If the Director requests information or statistical data to determine the manner the insurer used to set the filed rates and/or to determine the reasonableness of those rates, as well as the manner of promulgation and the acceptability or unacceptability of a filing for rules, minimum premiums, or any combination thereof, the insurer shall provide such data or information within 14 calendar days of the Director's request.

AGREE

Explanatory Memorandum

Insurers shall include actuarial explanatory memorandum with any

215 ILCS 5/155.18

50 IL Adm. Code

Insurers shall include actuarial explanatory memorandum with any rate filing, as well as any rule filing that affects the ultimate premium. The

AGREE

rate filing, as well as any 929
rule filing that affects the
ultimate premium.

explanatory memorandum shall contain, at
minimum, the following information:

- Explanation of ratemaking methodologies.
- Explanations of specific changes included in the filing.
- Narrative that will assist in understanding the filing.

Summary of Effects Exhibit

Insurers shall include an exhibit illustrating the effect of each change and calculation indicating how the final effect was derived. 215 ILCS 5/155.18
50 IL Adm. Code
929

Insurers shall include an exhibit illustrating the effect of each individual change being made in the filing (e.g. territorial base rates, classification factor changes, number of exposures affected by each change being made, etc.), and include a supporting calculation indicating how the final effect was derived.

AGREE

Actuarial Indication

Insurers shall include actuarial support justifying the overall changes being made. 215 ILCS 5/155.18
50 IL Adm. Code
929

Insurers shall include actuarial support justifying the overall changes being made, including but not limited to:

- Pure premiums (if used).
- Earned premiums.
- Incurred losses.
- Loss development factors.
- Trend factors.
- On-Level factors.
- Permissible loss ratios, etc.

YES

Loss Development Factors and Analysis

Insurers shall include support for loss development factors and analysis. 215 ILCS 5/155.18
50 IL Adm. Code
929

Insurers shall include actuarial support for loss development factors and analysis, including but not limited to loss triangles and selected factors, as well as support for the selected factors.

YES

Ultimate Loss Selections

Insurers shall include support for ultimate loss selections. 215 ILCS 5/155.18
50 IL Adm. Code
929

Insurers shall include support for ultimate loss selections, including an explanation of selected losses if results from various methods differ significantly.

YES

Trend Factors and Analysis

Insurers shall include support for trend factors and analysis. 215 ILCS 5/155.18
50 IL Adm. Code
929

Insurers shall include support for trend factors and analysis, including loss and premium trend exhibits demonstrating the basis for the selections used.

YES

On-Level Factors and Analysis

Insurers shall include support for on-level factors and analysis. 215 ILCS 5/155.18
50 IL Adm. Code
929

Insurers shall include support for on-level factors and analysis, including exhibits providing on-level factors and past rate changes included in calculations.

YES

Loss Adjustment Expenses

Insurers shall include support for loss adjustment expenses.

215 ILCS 5/155.18

50 IL Adm. Code
929

Insurers shall include support for loss adjustment expenses, including exhibits providing documentation to support factors used for ALAE and ULAE. If ALAE is included in loss development analysis, no additional ALAE exhibit is required.

YES

Expense Exhibit

Insurers shall include an expense exhibit.

215 ILCS 5/155.18

50 IL Adm. Code
929

Insurers may use expense provisions that differ from those of other companies or groups of companies.

Insurers shall include an exhibit indicating all expenses used in the calculation of the permissible loss ratio, including explanations and support for selections.

The systems of expense provisions included in the rates for use by any company or group of companies may differ from those of other companies or groups of companies to reflect the operating methods of any such company or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof.

YES

Investment Income Calculation

Insurers shall include an exhibit for investment income calculation.

215 ILCS 5/155.18

50 IL Adm. Code
929

Insurers shall include an exhibit demonstrating the calculation for the investment income factor used in the indication.

YES

Profit and Contingencies Calculation

Insurers shall include an exhibit for profit and contingencies load.

215 ILCS 5/155.18

50 IL Adm. Code
929

Insurers shall include an exhibit illustrating the derivation of any profit and contingencies load.

YES

Credibility Standard Used

Insurers shall include the number of claims being used to calculate the credibility factor.

215 ILCS 5/155.18

50 IL Adm. Code
929

Insurers should include the number of claims being used to calculate the credibility factor. If another method of calculating credibility is utilized, insurers should include a description of the method used.

YES

Other Actuarial Information Required

Insurers must include the information described in this section.

215 ILCS 5/155.18

50 IL Adm. Code
929

Insurers shall also include the following information:

- All actuarial support/justification for all rates being changed, including but not limited to changes in:
 - Base rates;
 - Territory definitions;
 - Territory factor changes;
 - Classification factor changes;
 - Classification definition changes;
 - Changes to schedule credits/debits, etc.
- Exhibits containing current and proposed rates/factors for all rates and classification factors, etc. being changed.

YES

- Any exhibits necessary to support the filing that are not mentioned elsewhere in this checklist.

Schedule Rating

Insurers must include the described information described at right.

215 ILCS 5/155.18
50 IL Adm. Code
929

Insurers should include appropriate actuarial justification when filing schedule rating plans and/or changes to schedule rating plans.

N/A

REMOVED



**ACTUARIAL MEMORANDUM
CHIROPRACTIC PROGRAM
UNDERWRITTEN BY PACO ASSURANCE COMPANY, INC. (PACO)
2007 CHIROPRACTIC RATE INDICATION**

Enclosed are Tables and Exhibits to support PACO's proposed statewide average chiropractic rate change of +6.00% (Table 1, Line 17) in Illinois. The point estimate indicated rate change is +6.22% (Table 1, Line 16). The selected rate change reflects PACO management's consideration of underwriting, legislative, and marketing issues.

It is my belief that the attached Tables and Exhibits indicate that the proposed rate change is not inadequate, excessive, or unfairly discriminatory. If you have any questions concerning these Tables and Exhibits, please call me at (615) 984-2030 or email me at jdaniel@picagroup.com.

Sincerely,

John E. Daniel

John E. Daniel, FCAS, MAAA
Chief Actuary
The PICA Group

TABLE 1

PACO ASSURANCE COMPANY, INC.
OUM CHIROPRACTOR PROGRAM

ILLINOIS

PROPOSED RATE CHANGE FOR 1/1/2007

Expense Item	Percent of Direct Earned Premium
(1) General Administration	23.44%
(2) Underwriting Profit Provision	5.00%
(3) Commissions	0.00%
(4) Investment Income Offset	-8.34%
(5) Taxes, Licenses, and Fees	0.50%
(6) <u>Total Expenses</u>	<u>20.59%</u>
(7) Target Loss + LAE Ratio	79.41%
(8) Expected Losses + ALAE	73.64%
(9) <u>ULAE</u>	<u>5.30%</u>
(10) <u>Total Loss + LAE Ratio</u>	<u>78.94%</u>
(11) Indicated Rate Change	-0.59%
(12) Annual Trend Factor	1.030
(13) Years of Trend	2.58
(14) Complement of Credibility for Indicated Rate Change	7.92%
(15) Credibility Factor for Indicated Rate Change	20.00%
(16) Credibility Weighted Indicated Rate Change	6.22%
(17) Selected Rate Change	6.00%

Notes:

- (1) - (3) From PACO's budget for 2007.
- (4) Item (9) from Appendix, Exhibit 5.
- (6) Sum of (1) - (5).
- (7) = $100.00\% - (6)$
- (8) Item (7) from Table 5.
- (9) From PACO's budget for 2007.
- (10) Sum of (8) - (9).
- (11) = $[(10) / (7)] - 100.00\%$
- (12) Item (6) from Appendix, Exhibit 3.
- (13) Years from Effective Date of most recent rate filing to one year beyond Requested Effective Date of this filing.
- (14) = $[(12) ^ (13)] - 100.00\%$
- (15) From Column (3) of Appendix, Exhibit 6.
- (16) = $[(11) \times (15)] + \{(14) \times [100.00\% - (15)]\}$
- (17) Selected by PACO management.

TABLE 2

**PACO ASSURANCE COMPANY, INC.
OUM CHIROPRACTOR PROGRAM**

ILLINOIS

**ESTIMATED ULTIMATE LOSSES + ALAE
LOSS DEVELOPMENT METHODS**

A. Paid Loss Development Method

(1)	(2)	(3)	(4)
	Direct Paid Loss+ALAE as of	Direct Paid Loss+ALAE Development Factor	Estimated Ultimate Loss+ALAE
<u>Report Year</u>	<u>12/31/2005</u>		
2003	40,408	1.444	58,338
2004	30,181	2.432	73,408
2005	29,722	13.373	397,484
	<u>100,311</u>		<u>529,229</u>

B. Reported Loss Development Method

(5)	(6)	(7)	(8)
	Direct Reported Loss+ALAE as of	Direct Reported Loss+ALAE Development Factor	Estimated Ultimate Loss+ALAE
<u>Report Year</u>	<u>12/31/2005</u>		
2003	647,431	1.100	712,174
2004	107,088	1.584	169,575
2005	117,198	2.960	346,886
	<u>871,717</u>		<u>1,228,635</u>

Notes:

(3) Cumulative factors from Appendix, Exhibit 1.

(4) = (2) x (3)

(7) Cumulative factors from Appendix, Exhibit 2.

(8) = (6) x (7)

TABLE 3

**PACO ASSURANCE COMPANY, INC.
OUM CHIROPRACTOR PROGRAM**

ILLINOIS

**ESTIMATED ULTIMATE LOSSES + ALAE
BORNHUETTER-FERGUSON METHODS**

A. Initial Estimated Ultimate Losses + ALAE

	(1)	(2)	(3)
	Direct	Initial	Initial
	Earned	Estimated	Estimated
Report Year	Premium	Loss+ALAE	Ultimate
		Ratio	Loss+ALAE
2003	306,414	63.0%	193,041
2004	490,536	65.0%	318,848
2005	636,980	64.0%	407,667
	<u>1,433,930</u>		<u>919,556</u>

B. Paid Bornhuetter-Ferguson Method

(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Initial Estimated Ultimate Loss+ALAE	Expected Percentage Unpaid as of 12/31/2005	Expected Loss+ALAE Unpaid as of 12/31/2005	Direct Paid Loss+ALAE as of 12/31/2005	Expected Loss+ALAE Paid as of 12/31/2005	Estimated Ultimate Loss+ALAE
Report Year						
2003	193,041	30.7%	59,333	40,408	133,708	99,740
2004	318,848	58.9%	187,754	30,181	131,094	217,936
2005	407,667	92.5%	377,184	29,722	30,484	406,906
	919,556		624,271	100,311	295,286	724,582

C. Reported Bornhuetter-Ferguson Method

(11)	(12)	(13)	(14)	(15)	(16)	(17)
	Initial	Expected	Expected	Direct	Expected	
	Estimated	Percentage	Loss+ALAE	Reported	Loss+ALAE	
	Ultimate	Unreported	Unreported	Loss+ALAE	Reported	Estimated
Report Year	Loss+ALAE	as of	as of	as of	as of	Ultimate
		12/31/2005	12/31/2005	12/31/2005	12/31/2005	Loss+ALAE
2003	193,041	9.1%	17,549	647,431	175,492	664,980
2004	318,848	36.8%	117,494	107,088	201,355	224,582
2005	407,667	66.2%	269,934	117,198	137,734	387,132
	919,556		404,977	871,717	514,580	1,276,694

Notes:

- (3) = (1) x (2)
 (6) = 100% - (1.000 / Paid Loss+ALAE Development Factor)
 (7) = (5) x (6)
 (9) = (5) - (7)
 (10) = (7) + (8)
 (13) = 100% - (1.000 / Reported Loss+ALAE Development Factor)
 (14) = (12) x (13)
 (16) = (12) - (14)
 (17) = (14) + (15)

TABLE 4

**PACO ASSURANCE COMPANY, INC.
OUM CHIROPRACTOR PROGRAM**

ILLINOIS

**ESTIMATED ULTIMATE LOSSES + ALAE
SELECTION AND TRENDING**

A. Selected Estimated Ultimate Losses + ALAE

(1)	(2)	(3)	(4)	(5)	(6)
	Estimated Ultimate Losses + ALAE				
	Paid Loss Development Method	Reported Loss Development Method	Paid Bornhuetter- Ferguson Method	Reported Bornhuetter- Ferguson Method	Selected
Report Year					
2003	58,338	712,174	99,740	664,980	383,808
2004	73,408	169,575	217,936	224,582	171,375
2005	397,484	346,886	406,906	387,132	397,019
	529,229	1,228,635	724,582	1,276,694	952,202

B. Trended Estimated Ultimate Losses + ALAE

(7)	(8)	(9)	(10)	(11)
	Selected Estimated Ultimate Loss+ALAE	Years of Trend	Loss Trend Factor	Trended Estimated Ultimate Loss+ALAE
Report Year				
2003	383,808	4.5	1.142	438,411
2004	171,375	3.5	1.109	190,054
2005	397,019	2.5	1.077	427,468
	952,202			1,055,934

Notes:

- (2) From Column (4) of Section A of Table 2.
- (3) From Column (8) of Section B of Table 2.
- (4) From Column (10) of Section B of Table 3.
- (5) From Column (17) of Section C of Table 3.
- (6) Average of all methods for 2003-2004.
Average of the Bornhuetter-Ferguson methods for 2005.
- (9) Years from midpoint of Report Year to one year beyond Requested Effective Date of this filing.
- (10) = (100.00% + Item (6) from Appendix, Exhibit 3) ^ (9)
- (11) = (8) x (10)

TABLE 5

**PACO ASSURANCE COMPANY, INC.
OUM CHIROPRACTOR PROGRAM**

ILLINOIS

ESTIMATED ULTIMATE ON-LEVEL LOSS + ALAE RATIO

(1)	(2)	(3)	(4)	(5)	(6)
Report Year	Direct Earned Premium	Premium Adjustment Factor	On-Level Direct Earned Premium	Trended Estimated Ultimate Loss+ALAE	Estimated Ultimate On-Level Loss+ALAE Ratio
2003	306,414	1.00000	306,414	438,411	143.08%
2004	490,536	1.00000	490,536	190,054	38.74%
2005	636,980	1.00000	636,980	427,468	67.11%
	<u>1,433,930</u>		<u>1,433,930</u>	<u>1,055,934</u>	<u>73.64%</u>
(7) Selected =					73.64%

Notes:

- (3) From Column (6) of Appendix, Exhibit 4.
- (4) = (2) x (3)
- (5) From Column (11) of Section B of Table 4.
- (6) = (5) / (4)

APPENDIX, EXHIBIT 1

**PACO ASSURANCE COMPANY, INC.
OUM CHIROPRACTOR PROGRAM**

**COUNTRYWIDE PAID LOSS & ALAE DEVELOPMENT FACTORS
(Losses and ALAE are Unlimited.)**

Treaty Yr	Age of Treaty Year in Months						
	12	24	36	48	60	72	84
1999			6,300	6,449	6,449	6,449	6,449
2000	269	15,490	15,490	15,490	15,490	15,490	
2001	507,009	522,849	522,849	522,849	522,849		
2002	80,098	765,050	2,715,096	2,852,462			
2003	155,598	2,136,502	2,541,567				
2004	212,661	1,814,611					
2005	425,134						

Treaty Yr	Age to Age Factors						
	12 to 24	24 to 36	36 to 48	48 to 60	60 to 72	72 to 84	84 to Ult
1999			1.024	1.000	1.000	1.000	
2000	57.583	1.000	1.000	1.000	1.000		
2001	1.031	1.000	1.000	1.000			
2002	9.551	3.549	1.051				
2003	13.731	1.190					
2004	8.533						
Weighted Average	5.498	1.685	1.042	1.000	1.000	1.000	
Selected	5.498	1.685	1.250	1.100	1.050	1.000	1.000

	12 to Ult	24 to Ult	36 to Ult	48 to Ult	60 to Ult	72 to Ult	84 to Ult
Cumulative	13.373	2.432	1.444	1.155	1.050	1.000	1.000

APPENDIX, EXHIBIT 2

**PACO ASSURANCE COMPANY, INC.
OUM CHIROPRACTOR PROGRAM**

**COUNTRYWIDE REPORTED LOSS & ALAE DEVELOPMENT FACTORS
(Losses and ALAE are Unlimited.)**

Treaty Yr	Age of Treaty Year in Months						
	12	24	36	48	60	72	84
1999			6,300	6,449	6,449	6,449	6,449
2000	13,768	15,490	15,490	15,490	15,490	15,490	
2001	527,009	528,412	522,849	522,849	522,849		
2002	849,091	1,506,803	3,083,731	2,879,982			
2003	1,585,444	2,953,771	3,582,178				
2004	1,500,645	3,361,743					
2005	1,872,679						

Treaty Yr	Age to Age Factors						
	12 to 24	24 to 36	36 to 48	48 to 60	60 to 72	72 to 84	84 to Ult
1999			1.024	1.000	1.000	1.000	
2000	1.125	1.000	1.000	1.000	1.000		
2001	1.003	0.989	1.000	1.000			
2002	1.775	2.047	0.934				
2003	1.863	1.213					
2004	2.240						
Weighted Average	1.869	1.440	0.944	1.000	1.000	1.000	
Selected	1.869	1.440	1.100	1.000	1.000	1.000	1.000

	12 to Ult	24 to Ult	36 to Ult	48 to Ult	60 to Ult	72 to Ult	84 to Ult
Cumulative	2.960	1.584	1.100	1.000	1.000	1.000	1.000

APPENDIX, EXHIBIT 3

PACO ASSURANCE COMPANY, INC. OUM CHIROPRACTOR PROGRAM

COUNTRYWIDE SEVERITY TREND FACTOR

<u>Treaty Yr</u>	<u>Years of Trend</u>	<u>Estimated Ultimate Unlimited Loss+ALAE</u>	<u>Reported Claims as of 12/31/2005</u>	<u>Estimated Ultimate Average Severity</u>	<u>Logarithm of Average Severity</u>	<u>Fitted Logarithm of Average Severity</u>	<u>Selected Fitted Logarithm of Average Severity</u>
2002	0	2,879,982	35	82,285	11.31795	11.14832	11.14832
2003	1	3,826,343	62	61,715	11.03029	11.20384	11.17832
2004	2	5,016,948	76	66,012	11.09760	11.25937	11.20832
2005	3	5,615,518	58	96,819	11.48060	11.31490	11.23832
2006		17,338,791	231	75,060			
2007							

(1) Slope	5.55%
(2) Intercept	11.14832
(3) R-Squared Value (Goodness of Fit)	12.05%
(4) Selected Severity Trend	3.00%
(5) Selected Trend R-Squared Value (Goodness of Fit)	12.05%
(6) Selected Annual Severity Trend Factor	1.030

APPENDIX, EXHIBIT 4

**PACO ASSURANCE COMPANY, INC.
OUM CHIROPRACTOR PROGRAM**

ILLINOIS

PREMIUM ADJUSTMENT FACTORS

(1)	(2)	(3)	(4)	(5)	(6)
	Approved	Rate	Cumulative	Written	Earned
	Rate	Change	Rate	Premium	Premium
Treaty Yr	Change	Factor	Change	Adjustment	Adjustment
			Factor	Factor	Factor
2002	0.00%	1.0000	1.0000	1.0000	1.0000
2003	0.00%	1.0000	1.0000	1.0000	1.0000
2004	0.00%	1.0000	1.0000	1.0000	1.0000
2005	0.00%	1.0000	1.0000	1.0000	1.0000
2006	0.00%	1.0000	1.0000	1.0000	1.0000

Notes:

(3) = 100% + (2)

(4) = (4) for Prior Year x (3) for Current Year

(5) = (4) for 2006 / (4) for Current Year

(6) Based on expectation of continuously distributed earnings.

APPENDIX, EXHIBIT 5

**PACO ASSURANCE COMPANY, INC.
OUM CHIROPRACTOR PROGRAM**

ILLINOIS

DERIVATION OF INVESTMENT INCOME OFFSET

Discount Rate = 5.00%

(1)	(2)	(3)	(4)	(5)	(6)
Year	Paid Loss+ALAE Development Factor	Expected Percentage of Ultimate Loss+ALAE Paid at Yearend	Incremental Percentage Paid	Discount Factor	Discounted Incremental Percentage Paid
1	13.373	7.48%	7.48%	97.59%	7.30%
2	2.432	41.11%	33.64%	92.94%	31.26%
3	1.444	69.26%	28.15%	88.52%	24.92%
4	1.155	86.58%	17.32%	84.30%	14.60%
5	1.050	95.24%	8.66%	80.29%	6.95%
6	1.000	100.00%	4.76%	76.46%	3.64%
7	1.000	100.00%	0.00%	72.82%	0.00%
8	1.000	100.00%	0.00%	69.36%	0.00%
					<u>88.67%</u>
(7) Investment Income as Percent of Losses + ALAE =					11.33%
(8) Investment Income as Percent of Direct Earned Premium =					8.34%
(9) Investment Income Offset =					-8.34%

Notes:
(3) = 100.00% / (2)
(4) = (3) for Current Year - (3) for Prior Year
(5) = [100.00% / (100.00% + Discount Rate)] ^ (1)
(6) = (4) x (5)
(7) = 100.00% - Sum of (6)
(8) = (7) x Item (7) from Table 5
(9) = Additive inverse of (8).

APPENDIX, EXHIBIT 6

**PACO ASSURANCE COMPANY, INC.
OUM CHIROPRACTOR PROGRAM**

ILLINOIS

CREDIBILITY FACTOR FOR INDICATED RATE CHANGE

(1) Number of Claims Reported <u>2003-2005</u>	(2) Full Credibility Standard <u>500</u>	(3) Credibility Factor for Indicated Rate Change <u>20.00%</u>
10	500	20.00%

Notes:
$(3) = [(1) / (2)]^{0.5}$ with a minimum of 20%

PACO Assurance Company, Inc. OUM Chiropractor Program

Illinois 01 - Cook County

Effective 1/1/07

Sole Chiropractor

Limits (000 omitted)	Claims Made					Occurrence
	1st Year	2nd Year	3rd Year	4th Year		
100/300	\$856	\$1,285	\$1,820	\$2,141		\$2,248
200/600	\$1,027	\$1,542	\$2,184	\$2,569		\$2,697
250/750	\$1,104	\$1,658	\$2,348	\$2,762		\$2,900
500/1000	\$1,198	\$1,799	\$2,548	\$2,997		\$3,147
500/1500	\$1,233	\$1,850	\$2,621	\$3,083		\$3,237
1000/1000	\$1,327	\$1,992	\$2,821	\$3,319		\$3,485
1000/3000	\$1,455	\$2,185	\$3,094	\$3,640		\$3,822

DIVISION OF INSURANCE
STATE OF ILLINOIS/IDFPR
FILED

FEB 01 2007

SPRINGFIELD, ILLINOIS

PACO Assurance Company, Inc. OUM Chiropractor Program

Illinois 02 - All counties except Cook

Effective 1/1/07

Sole Chiropractor

Limits (000 omitted)	Claims Made						Occurrence		
		1st Year		2nd Year		3rd Year			4th Year
100/300		\$838		\$1,257		\$1,781		\$2,095	\$2,200
200/600		\$1,006		\$1,508		\$2,137		\$2,514	\$2,640
250/750		\$1,081		\$1,622		\$2,297		\$2,703	\$2,838
500/1000		\$1,173		\$1,760		\$2,493		\$2,933	\$3,080
500/1500		\$1,207		\$1,810		\$2,565		\$3,017	\$3,168
1000/1000		\$1,299		\$1,948		\$2,761		\$3,247	\$3,409
1000/3000		\$1,425		\$2,137		\$3,028		\$3,562	\$3,740

